

REFLECTIONS ON THE PROPOSED U.S.-MEXICO FREE TRADE AGREEMENT

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I. A U.S. Perspective

A) Positive Aspects

1. U.S. firms better access to cheaper labor/parts
2. Increased access to growing export markets
3. Liberalized foreign investment laws in Mexico
4. Expansion of financial and service sectors
5. Mexico becomes a very reliable source of petroleum
6. Enhance Mexico's political stability
7. Overall, a net employment gain
8. Increase the competitiveness of U.S. firms
9. Assist U.S. banks vis-a-vis Mexico's debt-service
10. Ease immigration pressures

B) Negative Aspects

1. employment loss in select industries and regions
2. forced restructuring in sectors like agriculture
3. downward pressure on U.S. wages...standard of living
4. increased competition for small-medium size firms
5. uneven regional impact

II. Free Trade for Mexico

A) Positive Aspects

1. Increased Direct private foreign investment
2. Repatriation of " Flight Capital "
3. Increased Economic Growth
4. Increased Export Growth
5. Increased Diversification of the economy
6. Increased Employment and Income
7. Increased expansion of internal market
8. Promote a more modern and open economy

B) Negative Aspects

1. Increased integration with the U.S. economy especially along the border...heightened interdependence and vulnerability to the instability and stagnation of the U.S. economy
2. Worker/Community issues: Health, Safety, and the Environment
3. Child labor laws and regulations
4. The adjustment realities for Mexican firms

5. The changing structure, composition and concentration of production in Mexico
6. Uneven Regional economic impact...Northern border vs. other areas
7. A challenge to Mexico's historic nationalism
8. Compromises future policy options in terms of the external debt situation

III. The REAL questions for Mexico

A) A Re-examination of the Positives

1. Will Capital Flight return?
2. Will wages (real income) increase?
3. Will domestic markets expand?
4. Will the pace of immigration slow?
5. Will foreign investment flow significantly to where it is needed?
6. What will be the character of a more open and modern economy that is driven by export-led growth?
 - (a) Will the lost standard of living of the 1980s be regained by those who lost it?

B) A Re-examination of the Negatives

1. Will the negatives be even worse than imagined?
2. What kinds of protections can be built into the agreement to seriously address the genuine negatives?

C) Final Thoughts

1. The FTA is obviously inevitable
2. When the U.S. economy is strong the positive economic influences for Mexico will be more self-evident, especially in the No. border states and the opposite situation holds as well...but this has always been the case anyway..it will be just more so.
3. While the economic benefits for parts of Mexico are obvious, the political importance of the FTA for both the Salinas and Bush administrations cannot be ignored. For Salinas the FTA is an essential part of his Neo-Liberal Economic strategy and policy. It is in part the price of the Brady external debt agreement. And, for Bush, it is another critical piece of the ideal of a No. American Free Trade Bloc. Having Canada and Mexico gives the U.S. a more secure position for confronting the realities of the new global economic order, especially the unification of Western Europe's economies. So, the FTA agreement while politically SYMBOLIC in many respects, will be more than that in the end.

4. What is not clear is how the FTA agreement fits into Mexico's economic development needs and a strategy for economic development that seriously addresses the needs of the entire nation.
5. What can we speculate to be the real consequences of the FTA for Mexico and the U.S. in the context of a decade of stagnation and/or anemic growth at best for the U.S. and a global system entering a period of great uncertainty?
6. Assuming that the FTA was/is inevitable, how could it be negotiated to maximize the positives on each side of the border and minimize the negatives... issues especially related to the pace, speed, and phases of implementation, assessment, enforcement, etc.